

CHANGES WITHOUT REGULATORY EFFECT UNDER  
CALIFORNIA CODE OF REGULATIONS, TITLE 1, SECTION 100

Statement of Explanation

Title 18. Public Revenues

**A. Factual Basis**

The State Board of Equalization (Board) adopted California Code of Regulations, title 18, section (Property Tax Rule) 140.1, *Requirements for Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties*, in 2006. Property Tax Rule 140.1 defines the term “managing general partner” and prescribes the requirements to establish that an eligible nonprofit corporation is the managing general partner of a limited partnership for purposes of establishing that the limited partnership is a qualifying organization for purposes of claiming the welfare exemption under Revenue and Taxation Code section 214, subdivision (g).

As relevant here, Property Tax Rule 140.1, subdivision (a)(1) through (3), defines the terms “general partner,” “limited partner,” “limited partnership,” and “foreign limited partnership” by referring to the definitions in Corporations Code section 15611, subdivisions (l), (n), (q), and (r), which defined the same terms for purposes of the Revised Limited Partnership Act (former Corp. Code, §§ 15611-15724) in effect in 2006. In addition, Property Tax Rule 140.1, subdivision (c)(1), provides for a qualifying limited partnership to substitute managing general partners so long as the admission of the “substituting managing general partner into the limited partnership is in compliance with the requirements of section 15641 of the Corporations Code,” which governed the admission of general partners to limited partnerships under the Revised Limited Partnership Act.

Corporations Code sections 15901.02 and 15904.01 were included as part of the Uniform Limited Partnership Act of 2008, which was enacted by Assembly Bill No. (AB) 339 (Stats. 2006, ch. 495, § 20). Corporations Code section 15901.02, subdivisions (k), (m), (p), and (q), respectively define the terms “foreign limited partnership,” “general partner,” “limited partner,” and “limited partnership” for purposes of the Uniform Limited Partnership Act of 2008. Corporations Code section 15904.01 governs the admission of general partners to limited partnerships under the Uniform Limited Partnership Act of 2008.

Corporations Code section 15912.06 was also enacted as part of the Uniform Limited Partnership Act of 2008 and it expressly provides that Corporations Code sections 15901.02 and 15904.01 govern all limited partnerships beginning on January 1, 2010. In addition, Corporations Code section 15724 was enacted by AB 339, section 18, and it provided for the repeal of the entire Uniform Limited Partnership Act, including Corporations Code sections 15611 and 15641, effective January 1, 2010. Therefore, in accordance with Corporations Code sections 15724 and 15912.06, the definitions in Corporations Code section 15611 were superseded by the definitions in Corporations Code section 15901.02, and the provisions governing the admission of general partners in Corporations Code section 15641 were superseded by the provisions governing the admission of general partners in Corporations Code section 15904.01, beginning on January 1, 2010.

As a result, the Board proposes to:

- Replace the reference to the definition of general partner in repealed Corporations Code section 15611, subdivision (n), with a reference to the current definition of general partner in Corporations Code section 15901.02, subdivision (m), in subdivision (a)(1) of Property Tax Rule 140.1;
- Replace the reference to the definition of limited partner in repealed Corporations Code section 15611, subdivision (q), with a reference to the current definition of limited partner in Corporations Code section 15901.02, subdivision (p), in subdivision (a)(2) of Property Tax Rule 140.1;
- Replace the reference to the definition of limited partnership in repealed Corporations Code section 15611, subdivisions (r), and the reference to the definition of foreign limited partnership in repealed Corporations Code section 15611, subdivision (l), with references to the current definitions of limited partnership and foreign limited partnership in Corporations Code section 15901.02, subdivisions (q) and (k), respectively, in subdivision (a)(3) of Property Tax Rule 140.1; and
- Replace the reference to the provisions governing the admission of general partners to limited partnerships in repealed Corporations Code section 15641 with a reference to the current provisions governing the admission of general partners to limited partnerships in Corporations Code section 15904.01, in subdivision (c)(1) of Property Tax Rule 140.1.

The Board has determined that the proposed changes to Property Tax Rule 140.1 are appropriate for processing under California Code of Regulations, title 1, section (Rule) 100. This is because the changes update statutory cross-references to make the regulation consistent with current law, and do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

## **B. Proposed Changes**

The following Rule 100 changes are proposed to Property Tax Rule 140.1:

### **TEXT OF PROPOSED CHANGES**

#### **140.1. Requirements for Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties.**

(a) Definitions. The definitions set forth in this regulation shall govern the construction of Revenue and Taxation Code section 214, subdivision (g), which provides the requirements for the welfare exemption for low-income housing properties owned by a limited partnership in which the managing general partner is an eligible nonprofit corporation or eligible limited liability company.

(1) “General partner” means “general partner” as defined by section 15901.02~~15611~~, subdivision (m~~n~~) of the Corporations Code.

(2) “Limited partner” means “limited partner” as defined by section 15901.02~~15611~~, subdivision (p~~q~~) of the Corporations Code.

(3) “Limited partnership” means a “limited partnership” as defined by section 15901.02~~15611~~, subdivision (q~~r~~) of the Corporations Code, or a “foreign limited partnership” as defined by section 15901.02~~15611~~, subdivision (k~~l~~) of the Corporations Code.

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged):

(A) . . . (unchanged);

(B) . . . (unchanged);

(C) . . . (unchanged); and

(D) . . . (unchanged).

(7) . . . (unchanged):

(A) . . . (unchanged);

(B) . . . (unchanged);

(C) . . . (unchanged);

(D) . . . (unchanged); and

(E) . . . (unchanged).

(8) . . . (unchanged).

(9) . . . (unchanged).

(10) . . . (unchanged):

(A) . . . (unchanged);

(B) . . . (unchanged);

(C) . . . (unchanged);

(D) . . . (unchanged);

(E) . . . (unchanged);

(F) . . . (unchanged);

(G) . . . (unchanged);

(H) . . . (unchanged);

(I) . . . (unchanged);

(J) . . . (unchanged);

(K) . . . (unchanged); and

(L) . . . (unchanged).

(b) . . . (unchanged):

(1) . . . (unchanged);

(2) . . . (unchanged);

(3) . . . (unchanged);

- (4) . . . (unchanged);
- (5) . . . (unchanged);
- (6) . . . (unchanged);
- (7) . . . (unchanged);
- (8) . . . (unchanged);
- (9) . . . (unchanged);
- (10) . . . (unchanged);
- (11) . . . (unchanged);
- (12) . . . (unchanged); and
- (13) . . . (unchanged).

(c) Substitution of Managing General Partner. A limited partnership in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company that has qualified for the welfare exemption for low-income housing may allow a substitution of its managing general partner by another eligible nonprofit corporation or eligible limited liability company without affecting the organizational qualification for the welfare exemption provided that:

(1) the limited partnership agreement authorizes the withdrawal or removal of the managing general partner and the admission of a substitute managing general partner on the same effective date and such admission of the substituting managing general partner into the limited partnership is in compliance with the requirements of section 15904.0115641 of the Corporations Code; and

(2) . . . (unchanged).

(d) . . . (unchanged):

(1) . . . (unchanged); or

(2) . . . (unchanged).

(e) . . . (unchanged).

(f) . . . (unchanged).

Note: Authority cited: Section 15606, Government Code. Reference: Section 214, Revenue and Taxation Code.